

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DG 21-128

LIBERTY UTILITIES (ENERGYNORTH NATURAL GAS) CORP. d/b/a LIBERTY

Property Tax Adjustment Mechanism – Tax Year 2020

Reconciliation and Rate Adjustment

Order on Property Tax Rate Adjustment

O R D E R N O. 26,540

November 1, 2021

I. PROCEDURAL HISTORY

On September 2, 2021, Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty (Liberty) filed a request to recover, pursuant to a Property Tax Adjustment Mechanism (PTAM) approved by the Commission in Order No. 26,505 (July 30, 2021), the amount of municipal property taxes that Liberty paid during the April 1, 2020 to March 31, 2021 tax year, which was not included in distribution rates. In support of its request, Liberty filed the testimony of David B. Simek and related attachments, as well as supplemental tariff pages. A hearing was held in this matter on October 26, 2021. The initial filing and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are available on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2021/21-128.htm>

II. BACKGROUND

In Order No. 26,505, the Commission approved a settlement agreement providing for a PTAM, which would permit Liberty to recover or refund the difference between the amount of municipal property taxes paid during a specific tax year and

the amount to pay these taxes derived from distribution rates (Settlement Agreement). *Id.* at 6-7, 16. The Commission found that the terms of Liberty's proposed PTAM were consistent with the requirements of RSA 72:8-e. *Id.* at 12. As described in Section 6 of the Settlement Agreement, the PTAM distribution rate adjustment would be determined annually, beginning with the April 1, 2020 to March 31, 2021 tax year. Liberty would compare the total amount of municipal property tax from bills received during calendar year 2020 to the amount from distribution rates, through March 31, 2021, calculated to pay these municipal tax bills. The PTAM would be used to reconcile the difference by adjusting distribution rates, effective with service rendered on and after November 1, 2021, to provide for either a recovery or a refund. In subsequent years, Liberty would be required to submit its PTAM filing by March 10 relating to municipal property tax bills received during the prior calendar year, and adjustments to distribution rates would become effective May

III. POSITIONS OF THE PARTIES

A. Liberty

For the tax year beginning on April 1, 2020, Liberty calculated the amount of municipal taxes included in distribution rates as of March 31, 2021 to be \$8,924,897. It stated that the total amount in municipal property tax bills received during calendar year 2020 was \$10,902,358. Liberty proposed recovering the difference of \$1,977,461 through a PTAM distribution rate adjustment of 2.18%, effective November 1, 2021. As a result of the proposed PTAM distribution rate adjustment, the annual bill for a typical residential heating customer would increase approximately \$9.00 or 0.81 percent.

B. Department of Energy

Department of Energy (Energy) supported Liberty's request for a PTAM. Energy represented that, following review by its Audit Division, Liberty agreed to reduce the amount it was seeking to recover to \$1,972,667. Energy also questioned Liberty's calculation of the rate adjustment related to whether the 2020 billing determinants used were weather normalized. Energy stated that the determinants should have been weather normalized.

IV. COMMISSION ANALYSIS

In this docket, the Commission must consider whether Liberty's proposed PTAM rate adjustment is consistent with Commission Order No. 26,505 (July 30, 2021) and whether Liberty appropriately calculated the unrecovered increase in municipal property taxes paid in 2020 and the proposed increases in customer charges. The Commission agrees that \$1,972,667 is the correct amount of property tax to recover, however the rate of increase of 2.18% was incorrectly calculated.

Consistent with decoupling established in Docket DG 17-048 and the revenue per customer (RPC) established in the rate case, Docket DG 20-105, the PTAM rate is calculated by taking the property tax increase of \$1,972,667 in this docket and dividing by the monthly test year RPC multiplied by the monthly 2020 bill count, per Section 11.1(b)¹ of the Settlement. Since Liberty used actual 2020 revenue and not the product of test year RPC and 2020 bill counts, the calculated percent increase is incorrect. Therefore, while we agree that the incremental amount of property taxes to

¹ Previously the company used test year revenue as the basis to adjust any change (i.e. CIBS, step increase, etc.) to calculate percentage increase or decrease. The settlement agreement Article 11.1(b), changed previous practice to reflect the bill counts of the most recent full calendar year to accurately calculate the allowed revenue (using the current, or in this case the test year RPC) as the basis for any changes in RPC. The settlement agreement Article 11.1(b) applies to PTAM calculations (Article 6.6).

be recovered of \$1,972,667 is correct, as set forth above, the data responses and accompanying spreadsheets demonstrate that the proposed PTAM rate adjustment has been calculated incorrectly. As a result, based on the record, we cannot approve the rates for implementation effective November 1, 2021, and require further analysis to recalculate the PTAM rate.

Upon further consideration, it appears that the Local Distribution Adjustment Clause (LDAC) may be a more appropriate recovery mechanism for the PTAM. We encourage the parties to consider in their discussions whether the PTAM is more appropriately administered through a reconciling mechanism such as the LDAC or a similarly reconciling rate adjustment mechanism.

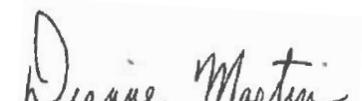
Based upon the foregoing, it is hereby

ORDERED, the request by Liberty to recover the proposed PTAM rate effective November 1, 2021, is DENIED; and it is

FURTHER ORDERED, that Liberty should correct their PTAM rate calculation and file with the Commission within 30 days of this Order; and it is

FURTHER ORDERED, that a further hearing shall be scheduled. The parties are instructed to confer in advance of the hearing and propose an alternative reconciling recovery mechanism such as the LDAC, to include the supporting documentation and live excel spreadsheets, two weeks prior to the scheduled hearing date.

By order of the Public Utilities Commission of New Hampshire this first day of November, 2021.


Dianne Martin
Chairwoman


Daniel C. Goldner
Commissioner

Service List - Docket Related

Docket#: 21-128

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